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FOREWORD

THE PROBLEM OF THE AMERICAN MANUFACTURER

"Produce or perish!" This is the terse slogan with which M. Herriot the distinguished Mayor of Lyons in a recent book entitled *Creer* seeks to arouse the young men of France. A world in which tool power has become the deciding factor can hardly fail to appreciate the significance of this appeal to a nation exhausted by a well-nigh fatal struggle for its existence, and now faced with the necessity for a complete rehabilitation of its economic and industrial procedures. But it is not so certain, however, that we in this country will see in Herriot's words an immediate national challenge which we cannot afford to ignore.

True we have become strong and great, but in doing so we have expended our national resources with a shocking prodigality. Immediate gains and profits have almost exclusively held our attention. We have dubbed as dreamers and theorists and "impractical fellows," those who would have called a halt to the mad orgy through which our streams have been polluted, our forests and mines wasted, and our political life debauched. We have attacked with an especial vindictiveness those who sought to ameliorate an industrial system which made little pretense at conserving human values. God, the pity of it! We have preached the doctrine of a power through our inheritance rather than through our own exertion and travail.

As a nation we had come to feel so keenly the reproach in all this that we actually welcomed the chastening afforded by the war. Even today we hear the question asked as to whether all the precious toll of suffering and sacrifice was enough. Are we as a people now ready to alter the very foundations of our social structure if this be necessary to right admitted wrongs? Are we really convinced that the employer and those he employs can and must whole heartedly coöperate to effect great social advantages? Do we really believe that the aims of labor and capital are mutual if not identical? Do we actually believe in affording an equal opportunity to every citizen and in the elimination of every special privilege?

For unless this nation is ready to scheme out its industry along

radically new lines, and to accomplish ultimate rather than immediate rewards, it will be only a question of time until we are overtaken by those who may perhaps seem pitifully weak and disorganized today. And no present financial strength or volume of natural resources will materially affect the outcome. Modern industry is too fearsome a thing to be hedged in either by small men or narrow laws. This is not only a scientific age but a day when the value of coöperation is being demonstrated on an ever broadening international scale. The industry of the future will be grounded altogether on mutuality of interests. Force as a dominant factor is dead. Science will unlock her secret vaults only as fast as we have the initiative to ask questions and the imagination to press for answers. Herein lies the real power of the future. The supply is limitless. And the wealth of one man or of one nation under this dispensation will not mean another's undoing.

Only a little while back the workers could conscientiously, and actually did, hold back on production. "Soldiering" on an essentially international basis was practiced pending the time when labor could measurably control the division of the proceeds of a more efficient industry. But the new balance as between the employers of the world and their employes which has resulted from the war has so altered this situation that in every direction we see indications that the workers of the world—organized or unorganized—are coming to feel some measure of responsibility for production and are manifesting an increasing interest in the principles and mechanisms through which production may be increased. We need constantly to remind ourselves, however, that the employing class has been guilty of many varieties of sabotage as, for instance, when consciously placing in executive positions those not fitted properly to carry on their functions. If the employers under the new dispensation are to have a right to call on their employes for full performance, the latter certainly have the right to demand competent leadership. The day does not appear to be far distant when this right will be exerted.

One of the most outspoken recent utterances on behalf of increasing production coming from the ranks of labor was the speech of Hon. Wm. B. Wilson, Secretary of Labor, delivered at the Atlantic City Convention of the American Federation of

Labor, in the course of which he said, "Production, increased production, is the predominant question. The more there is produced the more there will be to distribute and the larger production is to the interest of the workers as well as the employer." Of course, the leaders of labor now quite generally realize that the working day has been reduced to the point where it will be increasingly difficult to make further reductions without a distinct loss in output. In cutting the work day from twelve hours to eleven this was not the factor that it will be in cutting the day from eight hours to seven. In future cuts the output must be safeguarded in new ways.

It is just as well to face the fact that to increase production in any given establishment, industry or nation (as the term production is here used) is never an easy task. Above all it is not a matter controlled by blanks or forms, nor does it result from "stunts"—even those suggested by "efficiency" experts. We in America have in recent years more and more come to the conclusion that important progress can be made in this direction only as the result of years of sustained effort. This effort must be expended very largely by those directly connected with the business. The burden of the responsibility for the making of progress in any industrial enterprise will always rest on those who call the enterprise their own, either as leaders or as workers in the ranks. Without regard to the amount of outside advice and no matter how competent this advice may be, this is still true.

As a matter of fact the making of progress along production lines generally results from a change in mental attitude on the part of those concerned. If we can once get the idea that industry and industrial methods are not static but are subject to constant improvement and growth, great progress will necessarily result simply from this attitude of mind.

American manufacturers appear to be quite aware that industry will not be conducted in the future altogether as it has been in the past—that this is a period of shifting and advancing standards. And as a class our manufacturers seek to know more of the opportunities which open out before them and to assume their newer responsibilities. In fact this volume is in itself a distinct recognition of an awakening in our industrial world.

The effort is here made to give expression to some of these newer ideas, which developed and logically put into practice will so vitalize American industry as to give it a status in the world's industrial development comparable to the position occupied by American ideals in the science of government.

The volume of industrial literature has increased tremendously in recent years. The practical man of affairs who would post himself on even recent developments in this industrial field must be prepared to devote more time to it than can usually be spared from the pressing demands of the day's work. Recognizing this condition we have sought to separate an industrial enterprise into a few of its essential and more important divisions and to have each of these treated in an authoritative manner.

As a first step in the determination of what really are the significant factors in industry we requested from a considerable number of people—labor leaders, industrial engineers, manufacturers, economists and others—a short statement which should include the more important points of an individual manufacturing establishment. From among the twenty-five opinions received perhaps the two which follow are typical. A prominent New England manufacturer who has been associated as director with a number of large scale enterprises, for instance, said:

An ideal manufacturing plant assumes the presence of business ability, sound organization, and leadership with vision.

Its ultimate purpose should be the highest development, mental and moral and spiritual, of each and every person connected with the organization, through the accomplishment by that organization of the social function entrusted to it in the most perfect possible way.

This purpose should manifest itself in:—

1. Healthy and happy working and living conditions.
2. A wage which is better than a living wage.
3. Methods which shall result in the conviction throughout the organization that the interests of the workmen and the company are in fact identical.
4. Recognition of the fact that the power of the people, and human leadership are the two great social forces today, and a fixed determination that they shall in the organization so combine as to produce a workable and constructive democracy.

The idealism upon which this description rests permeated practically every statement received. It is worthy of note that

financial considerations were subordinated. The opinion was everywhere implied, even where not expressed, that if the other factors were right—such as the matter of industrial relations, for instance—that the finances would be apt to take care of themselves. The following description of a standard industrial plant—the best obtainable under present day conditions—came from an engineer:

Its buildings should be designed for economy of operation, surrounded by ample well-kept grounds, and located in an open section of a community of moderate size, having both good government and good schools, adequate transportation facilities, convenient supplies of raw materials and reasonable accessibility to markets.

The employees perhaps evenly divided between the two sexes, and all American citizens able to speak English, should be well housed, receive high wages—in every instance above the cost of living; work not more than forty-eight hours a week with half holiday on Saturday and a full holiday on Sunday, and other adequate rest periods especially for arduous, monotonous work; “hired and fired” by a centralized employment department; surrounded by working conditions, providing both comfort and sanitation; and afforded every opportunity for collective bargaining.

The main object of the management should be to secure the greatest possible production compatible with the highest well-being of the workers. The means to this end will be modern equipment and Scientific Management, involving an intensive study of every process, the selection and training of the workers and such organization of the workers as will insure maintenance of standard practice. Both a low labor turnover and the assurance of continuous employment are essential.

The selling policy should provide for full and fair description of goods with prices based on cost plus the smallest margin of profit consistent with continued prosperity—costs to be determined by a system in which approximate allocations of overhead are reduced to a minimum. Sales in an unnatural market and of useless articles are to be discouraged.

The property interests must assure responsibility for providing adequate capital to be represented by bonds and cumulative preferred stock having proper relation to fair value and bearing reasonable interest rates and should accept the theory that unproductive capital is not entitled to a return any more than idle labor is entitled to a wage. Before declaring a dividend on the common stock, some fair provision should be made for sharing the prosperity with the employees who should be represented on a board of directors on which as many different factors in industry are represented as possible. Employees should be given every opportunity to buy the various classes of securities of the corporation.

Publicity—full and relentless—as to costs, wages, earnings and everything else.

When Professor Walter Dill Scott and his associates on the Committee on Personnel of the Army came to rate army officers on a scale of one hundred it was discovered that an occasional man was rated as high as eighty-five and some men who were kept in the army fell as low as forty. But the great body of officers (perhaps eighty-five per cent of them) fell between fifty-eight and sixty-three. It may be stated that in some such fashion the papers in this volume represent the great central body of dependable, present day, industrial thought. These may be said to be the fifty-eight to sixty-three ideas and plans. The authors chosen have been those who, while fully abreast of the times and sympathetic with progress still see virtue in seeking to keep both feet on the ground. The "stand pat" conservative as well as the ultra radical are neither of them represented. But we have not flinched from new ideas even though they may seem radical to some. The thoughts expressed seem to the editor to represent good average American doctrine. The effort has been made to present papers which describe present day actual practice rather than theorize about even the immediate future.

It is entirely possible that to some of our more advanced readers a considerable part of the material may seem almost trite. This must necessarily be true of a volume intended to be a compendium of the best that *is* rather than of what perhaps some day *will be*. Again the reader is reminded that while we have tried to run the whole scale of American industry to see it in the large—no effort has been made to treat any part in a detailed way. If the book is broadly suggestive it will have accomplished its purpose.

A good deal of space has naturally been given not only to the organization of the workers but to the causes back of this organization. If a manufacturer is to be efficient in this new day—in fact if he is to survive—he "must understand the forces which he at times conceives of as blindly opposing him." In a word he must comprehend the whole social atmosphere of the times. The day has gone by when an individual or a plant or a nation can live unto itself alone. This being so, prudence suggests the most intimate possible knowledge of our local, national and world environment.

It is not altogether by accident that over half of those who

have contributed to this book have first hand knowledge of Scientific Management gained through personal association with the late Frederick W. Taylor, or else admit that their industrial views have been largely influenced by his teachings. Taylor is the only industrial technician who has proposed anything approximating an adequate philosophy for industry. And fortunately for him and his place in industrial history his theories and practices square with our present day idealism. A recent correspondent somewhat familiar with the plans for this volume writes:

It may be too much to say that the philosophy of industry, set forth from a dozen angles by as many writers, which goes to make up the contents of this book forms a bulwark against bolshevism and an antidote to anarchy; but, there would seem to be some justice for the belief that in the Taylor System is to be found a sane, enlightened and just solution for the world-old struggle between capital and labor.

You will have to go back a long way to find out who established the Taylor System. A long while ago an obscure carpenter, of a despised race, set himself up to teach his people a new system of doing business. The leaders of his people had for years preached an austere and hard system of justice and vengeance. They believed in an eye for an eye and a tooth for a tooth. This Hebrew carpenter went up on a mountain, with a handful of followers, and laid down a new plan for doing business, and it has been working better every year for the 1900 years since he made it, and each year more people believe in it. There isn't a big success in the world today that isn't based on it. All that Frederick Winslow Taylor, one of the greatest engineers who ever lived, did in his life time of effort was to translate into a practical, profitable, working formula, the Sermon on the Mount.

We must remember that there must be four parties to every business transaction that can be permanently successful and each of these parties must be benefited if the system is to last. First, it must benefit the investor who risks his capital in the enterprise; second, it must benefit the worker who contributes his work to the enterprise; third, it must benefit the manager who takes the responsibility of directing the enterprise; and fourth, which is equally important if not most important of all, it must benefit the consumer who patronizes the enterprise. Not one of these four can get along without the other three and none of the four can continue to make a profit and get satisfaction if the others do not benefit.

A careful study of the underlying philosophy of the Taylor System demonstrates that the real basis of its success lies in the fact that business under this system is conducted with the cards on the table, face up, and that each party to the transaction is made to realize not only his rights but his responsibilities as well. It does not mean that capital will make less money because labor is going to get more. It means that when labor and management are thoroughly convinced of the value of giving their best in return for a wholly adequate

reward, the reward of labor, management and capital is going to grow larger and larger and the consumer is going to be benefited by better values for every step that is made of progress.

Just a final point remember this: The very best and finest thing about the sermon of the Hebrew carpenter is that it pays. It is right, because it pays, and it pays because it is right.

Fear as to what may be just ahead of us may easily be one motivating force in securing from our manufacturers a more attentive hearing for suggestions looking toward improvements in industry. But on the whole, I believe that present day progress results from American idealism once again seeking new forms of expression. We hear it said that bolshevism lends itself to an emotional appeal; hence its rapid spread. Industrial progress along sane lines can likewise be so presented as to appeal to both head and heart. To make this appeal effective is the duty of the hour.

The following paragraphs are quoted from a recent report of the Special Legislative Committee on Reconstruction of the Wisconsin Legislature:

The heart of the world has been touched more deeply than it has ever been touched before in our time. The world is full of hope. The sentiment of the world is for better things. The social and economic reconstruction is an effort to satisfy this feeling and this longing of the world. It is a serious effort to make the world a better place to live in. There are some social facts which we have accepted as inevitable, which the new hope in the world cries out against with an insistent demand for immediate change.

Any reconstruction movement should be based on the nineteen century old doctrine that "men are brothers." There must be a more thorough-going application of the Christian ethics to social and economic policy. That is the road to sanity; that is the road to sound reconstruction; that is progress.

The purpose of this book is to assist in the execution of such a program. We believe that the further progress of American industry will be in the direction of providing for all workers an environment in which they can grow and in recognizing their right to share in every determination affecting their work.

Granted such conditions we must all struggle to produce the maximum consistent with the maintenance of physical, mental and moral well-being. Thus may we hope to secure a further realization of American purpose and American idealism.

MORRIS LLEWELLYN COOKE.